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SUBJ: PRIME MINISTER ISSUES GUIDELINES ON FOREIGN INVESTMENT IN
MINING

REF: (A) CANBERRA 7198

(B) CANBERRA 6865

(C) CANBERRA 6020, NOVEMBER 6, 1973

(D) CANBERRA A-261, NOVEMBER 7, 1973

1. SUMMARY: ON NOVEMBER 3, FOLLOWING CANBERRA VISIT OF
JAPANESE PRIME MINISTER TANAKA, PRIME MINISTER WHITLAM ISSUED
SIX NEW "GUIDELINES FOR FOREIGN EQUITY PARTICIPATION IN AND
CONTROL OF

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THE MINING INDUSTRY." NEW GUIDELINES MODIFY AND

DILUTE GOA STATEMENTS ON INVESTMENT AND RESOURCES MADE DURING WHITLAM'S OCTOBER, 1973 VISIT TO JAPAN AND REFLECT FURTHER SIGNIFICANT THOUGH NOT RADICAL SOFTENING OF CONDITIONS FOR FOREIGN ACCESS TO LOCAL MINERALS. END SUMMARY.

2. MAJOR POINTS OF NEW GUIDELINES INCLUDE:

(A) DEVELOPMENT IN AUSTRALIAN INTERESTS: GGT'S BASIC AIM IS TO ENSURE MINERALS DEVELOPMENT BRINGS MAXIMUM BENEFITS TO AUST. PEOPLE. ULTIMATE RESPONSIBILITY FOR EXPLORATION, DEVELOPMENT AND PROCESSING MUST REST WITH AUSTRALIANS. BOTH LOCAL AND FOREIGN ENTERPRISES MUST CONFORM WITH NATIONAL INTEREST, AND GOA WILL USE ALL ITS POWERS TO ACHIEVE THIS.

(B) EQUITY CONTROL AND OWNERSHIP: MAJOR GOA OBJECTIVE IS "TO PROMOTE AUST. EQUITY IN AND CONTROL OF ITS RESOURCES AND INDUSTRIES, AND MAXIMUM AUST. OWNERSHIP COMPATIBLE WITH AUSTRALIA'S LONG-TERM CAPITAL REQUIREMENTS AND ITS NEEDS FOR ACCESS TO MARKETS, ADVANCED TECHNOLOGY AND KNOW-HOW." HOWEVER, THIS MUST BE VIEWED AS "LONGER-TERM" OBJECTIVE.

(C) ROLES FOR PUBLIC AND PRIVATE SECTORS: GOA RECOGNIZES THAT PRIVATE PARTICIPATION IN EXPLORATION AND DEVELOPMENT IS STILL ESSENTIAL. MAXIMUM ACTIVITY WILL BE ACHIEVED ONLY IF PUBLIC BODIES, SUCH AS PETROLEUM AND MINERALS AUTHORITY (PMA) AND AUST. INDUSTRY DEVELOPMENT CMXP. (AIDC), AND PRIVATE ENTERPRISES PARTICIPATE. GOA RECOGNIZES "THAT PARTICIPATION BY COMPANIES WILL BE DEPENDENT ON THE PROSPECT OF A RETURN ON CAPITAL EMPLOYED WHICH IS COMMENSURATE WITH THE HIGH RISKS SOMETIMES INVOLVED."

(D) EXPLORATION: WHILE GOA SEEKS AUST. PARTICIPATION IN MINERAL EXPLORATION, IT RECOGNIZES THAT BECAUSE OF RISKS INVOLVED AND AUSTRALIA'S LIMITED CAPITAL RESOURCES "IT IS MORE IMPORTANT TO SECURE A HIGH DEGREE OF AUST. EQUITY PARTICIPATION AT THE PRODUCTION STAGE." DEVELOPMENT OF ALL MINERALS WILL BE SUBJECT TO GOA APPROVAL IN ACCORDANCE WITH THESE GUIDELINES.

(E) PROCESSING: MAXIMUM LEVEL OF MINERAL PROCESSING CONSISTENT WITH RATIONAL USE OF AUST. RESOURCES IS GOA OBJECTIVE.

(F) CONSULTATIONS WITH GOA: GOA EXPECTS TO BE INFORMED OF ALL MAJOR MINERAL DEVELOPMENT PROPOSALS BY AUST. AND FOREIGN ENTERPRISES AT EARLY STAGE. MINISTER FOR MINERALS AND ENERGY WILL BE POINT OF CONTACT, AND HE WILL REFER TO OTHER MINISTERS MATTERS FOR WHICH THEY ARE RESPONSIBLE.

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3. COMPLETE TEXT OF GUIDELINES BEING POUCHED.

4. EMBASSY COMMENT: GUIDELINES CLEARLY ARE INTENDED TO MODIFY AND DILUTE THE LAST SIGNIFICANT GOA STATEMENTS ON FOREIGN INVESTMENT IN LOCAL RESOURCES WHICH WERE MADE OCTOBER 26-31, 1973 (REFS C AND D) BY WHITLAM AND MINERALS AND ENERGY MINISTER

CONNOR WHEN THEY VISITED JAPAN. NEW GUIDELINES MAKE NO MENTION OF 100 PERCENT AUST. EQUITY AS SPECIFIC OBJECTIVE FOR URANIUM, OIL, NATURAL GAS AND BLACK COAL, ALTHOUGH CONNOR'S STATEMENT OF OCTOBER 31, 1974 (REF A) INDICATES URANIUM EXPLORATION AND MINING BY FOREIGNERS WILL NOT BE ALLOWED TO INCREASE IN FUTURE. BY CITING AS "LONGER-TERM" GOA'S OBJECTIVE OF GREATER LOCAL EQUITY AND CONTROL AND BY ACKNOWLEDGING AUSTRALIA'S NEED FOR OVERSEAS CAPITAL, TECHNOLOGY, ETC., WHITLAM UNDOUBTEDLY WISHES TO OBTAIN THE BENEFIT OF ADDED FOREIGN INVESTMENT, MOST IMPORTANTLY TO SUPPORT INCREASED MINERALS EXPLORATION, AND IN ORDER TO DO THIS IS WILLING TO PAY THE PRICE OF MODERATING HIS EARLIER MORE EXTREME NATIONALISTIC POSITION. SEVERAL FACTORS SEEM TO CONTRIBUTE TO HIS DECISION TO MODIFY THE EARLIER POSITION: (1) THE RECENT WEAKENING OF AUSTRALIA'S BALANCE OF PAYMENTS HAS PARTIALLY RESTORED AUSTRALIA'S TRADITIONAL NEED FOR AN INFLOW OF CAPITAL; (2) THE SERIOUS CUTBACK IN EXPLORATION FOR MINERALS THREATENS AUSTRALIA'S LONG-TERM SUPPLIER POSITION; (3) MOST IMPORTANTLY, THE WORLD ENERGY CRISIS HAS MADE IT IMPERATIVE TO RESUME EXPLORATION FOR PETROLEUM; (4) THE AGENDA FOR THE TANAKA VISIT INCLUDED DISCUSSIONS ON RESOURCES, AMONG THEM URANIUM AND COAL; IN ORDER TO BE READY FOR THIS DISCUSSION THE GOA HAD TO HAVE A MORE SPECIFIC SET OF GUIDELINES ON MINERALS THAN CONNOR HAD PREVIOUSLY BEEN WILLING TO PRODUCE; (5) LESS IMPORTANTLY, THE GENERAL BACKGROUND CONCERN OVER THE SLOWDOWN IN THE ECONOMY UNDOUBTEDLY MADE SOME CONTRIBUTION TO THE SENSE OF URGENCY. THE NEW GUIDELINES ARE PROBABLY SOFTER THAN CONNOR WOULD HAVE PREFERRED. BUT EVEN CONNOR HAD SIGNALLED GREATER POLICY FLEXIBILITY IN RECENT WEEKS (REF B).

5. TO SUM UP, WHILE THE GOA POSITION ON FOREIGN RESOURCES INVESTMENT HAS NOT BEEN REVERSED, THE GUIDELINES DO REPRESENT A SIGNIFICANT EFFORT TO (1) SUBSTITUTE SLIGHTLY LESS AMBITIOUS POLICY OBJECTIVES, AND (2) STRETCH OUT THEIR IMPACT, OVER TIME, LIMITED OFFICIAL USE

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ON THE FLOW OF FOREIGN INVESTMENT. WHITLAM CANNOT AFFORD POLITICALLY, AND WOULD PROBABLY NOT WISH IN ANY CASE, TO RETREAT ALL THE WAY TO THE PREVIOUS LIBERAL-COUNTRY PARTY GOA'S WIDE-OPEN POLICY TOWARD FOREIGN INVESTMENT. BUT HE DOES APPEAR TO HAVE ABANDONED THE "CLOSED DOOR" POLICY OF 1973 BECAUSE OF A GENUINE DESIRE FOR ECONOMIC REASONS TO ENCOURAGE A SIGNIFICANT FLOW OF SUCH INVESTMENT, WHILE STILL MAINTAINING THE ULTIMATE GOAL OF MAXIMUM AUSTRALIAN OWNERSHIP AND CONTROL OF LOCAL RESOURCES. GREEN

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